

Social Security

Understanding
The Benefits



Why We Hope You Will Read This Booklet

Whether you're young or old, male or female, single or with a family—this booklet is for you and about you. That's because Social Security has programs that affect everybody.

Chances are you're either paying Social Security taxes or getting Social Security benefits—or you're related to somebody who is.

Whatever your situation, this booklet has information you will find helpful and useful.

It was prepared by the Social Security Administration and tells you what you need to know about Social Security while you're still working and what you need to know when it's your turn to collect benefits. It also provides an overview of Medicare and Supplemental Security Income (SSI) benefits.

The information in this booklet is not intended to cover all provisions of the law. For specific information about your case, contact a Social Security office. Other booklets are available that explain all of the Social Security programs in more detail. And we have prepared a series of leaflets and factsheets that provide information about some of the finer points of Social Security. Page 34 lists some of these brochures.

Social Security's
Toll-Free Number
1-800-772-1213

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Part 1—Your Investment In Social Security

Your Social Security Taxes Pay Benefits

You may wonder where your Social Security tax dollars go. Generally, out of every dollar you pay in Social Security taxes:

- 69 cents goes to a trust fund that pays monthly benefits to retirees and their families and to about 8 million widows, widowers, and children of workers who have died;
- 19 cents goes to a trust fund that pays for the health care of all Medicare beneficiaries; and
- 12 cents goes to a trust fund that pays benefits to people with disabilities and their families.

Your Social Security taxes also pay for administering Social Security. The administrative costs are paid from the trust funds described above and are **only about one** cent of every Social Security tax dollar collected.

Money not used to pay benefits and administrative expenses is invested in U.S. government bonds, generally considered the safest of all investments. The government uses the money it has borrowed from Social Security—just as it uses money you may have invested in savings bonds—to pay for all the services and projects it provides for our citizens. And just as the government pays you back with interest when you redeem your bonds, so will it make good on its obligations to Social Security.

You also need to know about Social Security's financial stability. Each year, Social Security's Board of Trustees reports on the financial status of the Social Security program. These reports serve as valuable tools for evaluating and ensuring the economic health of the Social Security

system. The latest report indicates that the Social Security system, as currently structured, will be able to pay benefits well into the next century. This means Congress has the time it needs to make changes to safeguard the program's financial future.

Social Security Is More Than Retirement

Most people think of Social Security as a retirement program. Although it's true that most of our beneficiaries (about 60 percent) receive retirement benefits, many others get Social Security because:

- they are disabled;
- they are a dependent of someone who gets Social Security; or
- they are a widow, widower, or child of someone who has died.

So, depending on your circumstances, you may be eligible for Social Security at any age. In fact, Social Security pays more benefits to children than any other government program. Today, more than 44 million people, about one out of every six Americans, collect some kind of Social Security benefit.

How To Contact Us

The Social Security Administration has about 1,300 offices in cities and towns across America. You're always welcome to visit the office nearest you.

The easiest way to reach us is to call our toll-free number: **1-800-772-1213**. You can get information 24 hours a day. You can speak to a service representative between 7 a.m. and 7 p.m. on business days. Our lines are

busiest early in the week and early in the month, so if your business can wait, it's best to call at other times. When you call have your Social Security number handy.

If you have a touch-tone phone, recorded information and services are available after 7 p.m. weekdays and all day on weekends and holidays.

People who are deaf or hard of hearing may call our toll-free "TTY" number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

The Social Security Administration treats all calls confidentially—whether they're made to our toll-free numbers or to one of our local offices. We also want to ensure that you receive accurate and courteous service. That's why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

Planning For Your Financial Future

Keep in mind, Social Security benefits are not intended to meet all of your financial needs. For example, when you retire, you'll probably need other income, such as savings or a pension. Think of Social Security as a foundation upon which you can build your financial future.

This booklet gives you information to help you with the kinds of plans and decisions you need to make now in order to ensure a brighter and more secure financial future for you and your family.

Part 2—What You Need To Know About Social Security While You're Still Working

Social Security: A Simple Concept

Social Security is based on a simple concept. When you work, you pay taxes into the system and when you retire or become disabled you, your spouse, and your dependent children receive monthly benefits that are based on your earnings. And, your survivors collect benefits when you die.

Your Social Security Number

Your first, and most continuing, link with Social Security is your number. You'll need your Social Security number to get a job and to pay taxes. Without it, you won't be able to pay into the Social Security program and you won't be able to collect Social Security benefits. We use your Social Security number to track your earnings while you're working and to track your benefits once you're getting Social Security.

Almost everyone already has a Social Security number. Today, even most young children have a number because the Internal Revenue Service requires that a Social Security number is shown on tax returns for dependents.

You'll need to show your number to your employer, any financial institution that pays you interest, and to the Internal Revenue Service. In addition to those official uses, many other business and government agencies use the Social Security number for recordkeeping purposes. Although we can't prevent others from asking for your number, you should know that if you give it to them they

cannot use it to get your Social Security records. We will not give your records without your written consent, unless the law requires or permits it.

If you need a Social Security number, if you lost your card and need another one, or if you need to change your name on your current card, call or visit a Social Security office. We'll ask you to fill out a simple one-page form and ask to see certain documents depending on your situation. (We need to see originals or certified copies.)

Some typical examples are:

- A birth certificate and some form of identification for a new card;
- Some form of identification for a replacement card;
- A marriage certificate or divorce papers for a name change.

The Social Security Taxes You Pay

The Social Security taxes you and other workers pay into the system are used to pay for Social Security benefits. In addition, a portion of those taxes are used to pay for part of your Medicare coverage. The Supplemental Security Income (SSI) program is financed by general tax revenue, not Social Security taxes.

If You Work For Someone Else

You and your employer pay taxes for Social Security and Medicare. In 1996, you and your employer each pay 7.65 percent of your gross salary, up to \$62,700. The deduction may be labelled "FICA" on your pay slip. FICA is the Federal Insurance Contributions Act, the law that authorized Social Security's payroll tax.

If You Work For Yourself

If you're self-employed, you pay 15.3 percent of your taxable income into Social Security, up to \$62,700. You can take special deductions when you file your income tax that are intended to offset your tax rate.

For More Information: To learn more about self-employment tax rates, call or visit Social Security to ask for a free copy of the factsheet *If You're Self-Employed* (Publication No. 05-10022).

Extra Taxes For Medicare

If you earn more than \$62,700 in 1996, you continue to pay the Medicare portion of the Social Security tax on the rest of your earnings. The Medicare tax is 1.45 percent for both employers and employees and 2.9 percent for self-employed persons.

You Become Eligible For Social Security By Earning "Credits"

You must work and pay taxes into Social Security in order to get something out of it. (Of course, some people get benefits as a dependent or survivor on another person's Social Security record.)

As you work and pay taxes, you earn Social Security "credits." In 1996 you earn one credit for each \$640 in earnings you have—up to a maximum of four credits per year. (The amount of money needed to earn one credit goes up every year.)

Most people need 40 credits (10 years of work) to qualify for benefits. Younger people need fewer credits to be eligible for disability benefits or for their family members to be eligible for survivors benefits if they should die.

During your working lifetime, you probably will earn many more credits than you need to be eligible for Social Security. The fact that you earn these extra credits does not increase your eventual Social Security benefit. However, the income you earn while working will increase your benefit, as you will learn in the next two sections.

For More Information: If you want to learn more about the number of credits you would need to qualify for benefits, call or visit Social Security to ask for a *Personal Earnings and Benefit Estimate Statement* (see the next section), or ask for a free copy of one of the following booklets: *Retirement* (Publication No. 05-10035), *Survivors* (Publication No. 05-10084), or *Disability* (Publication No. 05-10029).

How Much Will You Get From Social Security?

The amount of your Social Security benefit is based on factors such as your date of birth, the type of benefit you are applying for, and most important, your earnings.

This booklet explains in a general way how a Social Security benefit is figured. In the back of this booklet, you will find tables that give examples of Social Security benefits. If you would like a detailed, personal estimate of your Social Security retirement, disability, and survivors benefits, call or visit Social Security and ask for it. We will send you a form you can use to get a *Personal Earnings and Benefit Estimate Statement*.

How Your Benefit Is Figured

In general, a Social Security benefit is based on your earnings averaged over your working lifetime. This is different from many private pension plans that are usually based on a relatively small number of years of earnings.

In its simplest terms, here's how your Social Security benefit is figured:

Step 1— We determine the number of years of earnings to use as a base.

Retirement benefits: For everybody born after 1928 and retiring in 1991 or later, which includes most people reading this booklet, that number is 35 years. Fewer years are used for people born in 1928 or earlier.

Disability and survivors benefits: We use most of the years of earnings posted to your record.

Step 2— We adjust these earnings for inflation.

Step 3— We determine your **average** adjusted monthly earnings based on the number of years figured in step 1.

Step 4— We multiply your average adjusted earnings by percentages in a formula that is specified by law.

That formula results in benefits that replace about 42 percent of a person's earnings. This applies to people who had **average** earnings during their working years. The percentage is lower for people in the upper income brackets and higher for people with low incomes. (That's because the Social Security benefit formula is weighted in favor of low-income workers who have less opportunity to save and invest during their working years.)

If You Haven't Earned Enough Credits To Get Social Security

If you haven't worked long enough to get Social Security, or if you get only a small amount, you may be eligible for Supplemental Security Income, or SSI. For more information, see Page 23.

Part 3—What You Need To Know When You Become Eligible For Social Security

How And When To Sign Up For Social Security

You can apply for benefits at any Social Security office. The easiest way to file a claim is to call our toll-free number ahead of time for an appointment. That number is: **1-800-772-1213.**

For disability, survivors, and SSI benefits, you should apply as soon as you're eligible. (The rest of this chapter will help you decide if and when you are.) When signing up for retirement, we suggest you talk to a Social Security representative in the year before the year you plan to retire. That's because the rules are complicated, and it may be to your advantage to start your retirement benefits before you actually stop working.

What Records Will You Need?

To show that you are eligible for Social Security and to help us decide how much your benefits should be, there are certain documents we may ask you to provide. The

ones you'll need depend on the circumstances of your claim. Here is a list of some of the documents you may need when you sign up for Social Security:

- Your Social Security card (or a record of your number);
- Your birth certificate;
- Children's birth certificates (if they are applying);
- Marriage certificate (if signing up on a spouse's record);
- Your most recent W-2 form, or your tax return if you're self-employed.

This is just a partial list to help you get prepared. When you actually sign up for Social Security, we'll let you know if other documents are needed.

Here's An Important Point: If you don't have all the documents you need, don't delay signing up for Social Security. We'll help you get the information you need.

Direct Deposit

Direct deposit is the preferred method of payment for Social Security benefits. Through the electronic transfer of funds, benefits are automatically credited to the beneficiary's bank account unless he or she asks to receive the monthly checks by mail. Most people choose direct deposit because it's safer and more convenient than receiving checks. It's also more efficient and saves money for the government because it's cheaper than preparing and mailing monthly checks.

Be sure to have your checkbook or other papers that show your bank account number with you when you apply for Social Security benefits.

Retirement Benefits

This section of the booklet provides a brief overview of Social Security retirement benefits. If you want to learn more about the program, call or visit Social Security to ask for a free copy of the booklet *Retirement* (Publication No. 05-10035).

Full Retirement

If you were born before 1938, you will be eligible for your full Social Security benefit at the age of 65.

However, beginning in the year 2003, the age at which full benefits are payable will increase in gradual steps from 65 to 67. This affects people born in 1938 and later. For example, if you were born in 1940, your full retirement age is 65 and 6 months. If you were born in 1950, your full retirement age is 66. Anybody born in 1960 or later will be eligible for full retirement benefits at 67.

Reduced Benefits As Early As 62

No matter what your “full” retirement age is, you may start receiving benefits as early as 62. However, if you start your benefits early, they are reduced five-ninths of one percent for each month before your “full” retirement age. For example, if your full retirement age is 65 and you sign up for Social Security when you’re 64, you will receive $93\frac{1}{3}$ percent of your full benefit. At 62, you would get 80 percent. (Note: The reduction will be greater in future years as the full retirement age increases.)

Here’s An Important Point: There are disadvantages and advantages to taking your benefit before your full retirement age. The disadvantage is that your benefit is permanently reduced. The advantage is that you collect benefits for a longer period

of time. Each person's situation is different, so make sure you check with Social Security before you decide to retire.

What About Late Retirement?

Some people continue to work full time beyond their full retirement age—and they do not sign up for Social Security until later. This delay in retirement can increase your Social Security benefit in two ways:

- Your extra income usually will increase your “average” earnings, and the higher your average earnings, the higher your Social Security benefit will be.
- In addition, a special credit is given to people who delay retirement. This credit, which is a percentage added to your Social Security benefit, varies depending on your date of birth. For people turning 65 in 1996, the rate is 4.5 percent per year. That rate gradually increases in future years, until it reaches 8 percent per year for people turning 65 in 2008 or later.

How Much Will You Get?

On Page 10, we explained how you can get an estimate of the benefits you are due. In addition, a table on Page 35 gives examples of retirement benefit rates.

Disability Benefits

This section of the booklet provides a brief overview of Social Security's disability program. It concentrates on benefits for people who have worked and earned enough Social Security “credits” to qualify for disability on their own work record.

It is important to note that other kinds of disability benefits are available from Social Security, depending on your circumstances. These include:

- Widows and widowers with disabilities who are eligible for benefits on the record of a spouse;
- People with disabilities who have low income and few assets who might be eligible for SSI benefits;
- Children over age 18 with disabilities who might be eligible for Social Security benefits on the record of a parent, or children of any age with disabilities who might be eligible for SSI benefits on their own.

For More Information: Because disability is one of the most complicated of all Social Security programs, we recommend that you call or visit Social Security to ask for a free copy of the booklet *Disability* (Publication No. 05-10029), for more in-depth information.

For information about benefits available to children with disabilities, see Page 25 of this booklet, or call or visit Social Security and ask for a free copy of the publication *Social Security and SSI Benefits For Children With Disabilities* (Publication No. 05-10026).

What Do We Mean By “Disability”?

The dictionary defines disability as “a physical or mental condition that prevents a person from leading a normal life.” Social Security’s definition of disability is more specific and is generally related to your ability to work.

To qualify for disability from Social Security, you must have a physical or mental impairment that is expected to keep you from doing any “substantial” work for at least a year. Generally, monthly earnings of \$500 or more are considered substantial. Or you must have a condition that is expected to result in your death.

This is a strict definition of disability. Unlike many private pension plans or even other government disability programs, Social Security is not intended for a temporary condition. In other words, there is no such thing as a “partial” disability payment from Social Security.

What You Should Do If You Become Disabled

If you become disabled, you should file for disability benefits as soon as possible. You can do this by calling or visiting any Social Security office.

You can shorten the time it takes to process your claim if you have the following medical and vocational information when you apply:

- The names, addresses, and phone numbers of your doctors, and of hospitals, clinics, etc., where you have been treated; and
- A summary of where you worked in the last 15 years and the kind of work you did.

Here’s An Important Point: Social Security’s disability rules are different from those of other private plans or government agencies. The fact that you qualify for disability from somebody else does not mean you will be eligible for Social Security. Further, the fact that you have a statement from your doctor indicating you are disabled does not mean you will be automatically eligible for Social Security disability payments.

When Do Your Disability Benefits Start?

In most cases your monthly benefits will begin with the sixth full month of your disability. Here’s a simple example of how this works:

John has a severe heart attack on March 15. He files for disability on March 29, and his claim is approved on May 30. September is the sixth **full**

month that he is disabled, so his benefits begin that month. Social Security checks are usually paid on the third of the following month, so John's first check (the September check) will arrive October 3.

Here's An Important Point: Do not delay signing up for Social Security because of this "waiting period." By filing early, all the paperwork will be processed before your first check is due. There is no waiting period for disabled children's benefits or for SSI disability payments.

How Much Will You Get?

On Page 10, we told you how you can get a personalized estimate of any benefits you are due. A table on Page 36 gives examples of disability benefit rates.

Workers' Compensation

If you get workers' compensation or certain other government disability benefits, your Social Security disability benefit may be reduced. Or, your Social Security benefits may reduce your other disability payments. The sum of all disability payments to you and your family cannot exceed 80 percent of your earnings averaged over a period of time shortly before you became disabled.

How Long Will Your Disability Benefits Continue?

You will continue to get disability benefits unless your condition improves or you return to "substantial" work (see Page 16). We check your claim periodically to determine if this is the case. To help us decide, you may be asked to undergo a special test or examination that we will pay for.

Incentives To Return To Work

There are special rules that help people who would like to return to work but are concerned about the effect this might have on their disability benefits. These rules offer special incentives that permit people to try working without the risk of a sudden loss of their monthly benefits and their Medicare coverage.

For More Information: If you would like to learn more about these special work incentives, call or visit Social Security to ask for a free copy of the booklet *Working While Disabled ... How Social Security Can Help* (Publication No. 05-10095).

Benefits For Your Family

This section of the booklet provides a brief overview of benefits payable to members of your family when you are eligible for retirement or disability benefits.

Who Can Get Benefits?

When you start collecting Social Security retirement or disability benefits, other members of your family might also be eligible for payments. For example, benefits can be paid to:

- Your husband or wife if he or she is 62 or older (unless he or she collects a higher Social Security benefit on his or her own record);
- Your husband or wife at any age if he or she is caring for your child (the child must be under 16 or disabled and receiving Social Security benefits);
- Your children, if they are unmarried and:
 - Under 18; or
 - Under 19 but in elementary or secondary school as a full-time student; or

- 18 or older and severely disabled (the disability must have started before age 22).

How Much Can Family Members Get?

Usually, each family member will be eligible for a monthly benefit that is up to 50 percent of your retirement or disability rate. However, there is a limit to the amount of money that can be paid to a family on your Social Security record. The limit varies, but is generally equal to about 150 to 180 percent of your retirement benefit. (It may be less for disability benefits.) If the sum of the benefits payable on your account is greater than this family limit, then the benefits to the family members will be reduced proportionately. Your benefit will not be affected.

Benefits For Divorced People

If you are divorced (even if you have remarried), your ex-spouse can be eligible for benefits on your record. In some situations, he or she may get benefits even if you're not receiving them. In order to qualify, your ex-spouse must:

- Have been married to you for at least 10 years;
- Be at least 62 years old;
- Be unmarried;
- Not be eligible for an equal or higher benefit on his or her own Social Security record, or on someone else's Social Security record.

Here's An Important Point: If your ex-spouse receives benefits on your account, it does not affect the amount of any benefits payable to you or your other family members.

Survivors Benefits

This section of the booklet tells about the benefits payable when a family breadwinner dies. For more information, call or visit Social Security to ask for a free copy of the booklet *Survivors* (Publication No. 05-10084).

Who Can Receive Survivors Benefits?

When you die, certain members of your family may be eligible for benefits on your Social Security record if you had earned enough credits while you were working.

The family members who can collect benefits include:

- A widow or widower who is 60 or older;
- A widow or widower who is 50 or older and disabled;
- A widow or widower at any age if she or he is caring for a child under 16 or a disabled child who is receiving Social Security benefits;
- Children if they are unmarried and:
 - Under 18; or
 - Under 19 but in an elementary or secondary school as a full-time student; or
 - 18 or older and severely disabled (the disability must have started before age 22);
- Your parents, if they were dependent on you for at least half of their support.

Special One-Time Death Benefit

If you had enough credits, a special one-time payment of \$255 also will be made after your death. This benefit is paid only to your widow(er) or minor children.

Benefits To Divorced Widows And Widowers

If you are divorced (even if you have remarried), your ex-spouse will be eligible for benefits on your record when you die. In order to qualify, your ex-spouse must:

- Be at least 60 years old (or 50 if disabled) and have been married to you for at least 10 years;
- Be any age if caring for a child who is eligible for benefits on your record;
- Not be eligible for an equal or higher benefit on his or her own record;
- Not be currently married, unless the remarriage occurred after 60—or 50 for disabled widows. (In cases of remarriage after the age of 60, your ex-spouse will be eligible for a widow's benefit on your record or a dependent's benefit on the record of his or her new spouse, whichever is higher.)

Here's An Important Point: If your ex-spouse receives benefits on your account, it does not affect the amount of any benefits payable to other survivors on your record.

How Much Will Your Survivors Get?

The amount payable to your survivors is a percentage of your basic Social Security benefit—usually in a range from 75 percent to 100 percent each. However, there is a limit to the amount of money that can be paid each month to a family. The limit varies, but is generally equal to about 150 to 180 percent of your benefit rate. If the sum of the benefits payable to your surviving family members is greater than this limit, the benefits to your family will be reduced proportionately.

The *Personal Earnings and Benefit Estimate Statement*, explained on Page 10, will provide you with a more accurate measurement of potential survivors benefits payable on your record. In addition, a table on Page 37 gives examples of survivors benefit rates.

Retirement Benefits For Widow(er)s

If you are receiving widows or widowers (including divorced widows or widowers) benefits, you can switch to your own retirement benefits (assuming you're eligible and your retirement rate is higher than your widow's rate) as early as age 62. In many cases, a widow(er) can begin receiving one benefit at a reduced rate and then switch to the other benefit at an unreduced rate at age 65. The rules are complicated and vary depending on your situation, so you should talk to a Social Security representative about the options available to you.

Supplemental Security Income

This section of the booklet provides a brief overview of the Supplemental Security Income (SSI) program. For more information, call or visit Social Security to ask for a free copy of the booklet *SSI* (Publication No. 05-11000).

What Is Supplemental Security Income?

Supplemental Security Income is usually called "SSI" for short. Although this program is run by Social Security, the money to pay for SSI benefits does not come from Social Security taxes or Social Security trust funds. SSI payments are financed by the general revenue funds of the U.S. Treasury.

SSI makes monthly payments to people who have low incomes and few assets. To get SSI you must:

- Be living in the U.S. or the Northern Mariana Islands;

- Be a U.S. citizen or be living in the U.S. legally;

And you must be:

- 65 or older; or
- Blind; or
- Disabled.

Here's An Important Point: Children as well as adults can get SSI benefits because of blindness or disability. See Page 25 for more information.

Income And Asset Limits For SSI

To get SSI, your income and the value of the things you own must be below certain limits.

By the term **income**, we mean the money you have coming in such as earnings, Social Security, or other government checks, pensions, etc. We also mean “non-cash” items you receive such as the value of free food and shelter.

How much income you can have and still get SSI depends on whether you work or not—and in which state you live. Although there is a basic national SSI payment rate, some states add money to the national payment, so they have higher SSI rates and higher income limits than others. Check with your local Social Security office to find what the SSI rates and income limits are in your state.

Assets are the things you own such as property, cash, and bank accounts. We don't count everything you own when we decide if you can get SSI. For example, we don't count your home and many of your personal belongings, and we usually don't count your car.

You may be able to get SSI if the things you own that we count are worth no more than:

- \$2,000 for one person; or
- \$3,000 for a couple.

Unlike the income category, these limits do not change from state to state.

How Much Can You Get From SSI?

How much you will get from SSI depends on your other income and where you live. The basic monthly SSI check is the same in all states—\$470 for one person and \$705 for a couple. Some states add money to the basic rate, so you may get more if you live in one of these states. You will get less if you have other income or if someone helps pay for your food and shelter.

For more information about SSI rates in your state, contact your local Social Security office.

SSI For People With Disabilities — Including Children

People with disabilities, including children, can get SSI if their income and assets are below the limits discussed in the previous sections.

Most of the rules used to decide if a person has a condition severe enough to qualify for Social Security disability benefits also apply to SSI.

As with Social Security, the SSI program has special plans to help people who want to try going back to work without the risk of suddenly losing their benefits or Medicaid coverage. To learn more about these special plans, ask for a copy of the booklet *Working While Disabled ... How Social Security Can Help* (Publication No. 05-10095).

Social Security has special guidelines for evaluating disability in children filing for SSI benefits. If you have a child with a disability, contact your local Social Security office to apply for SSI disability benefits.

For special information about benefits for children with disabilities, ask for a copy of the publication *Social Security and SSI Benefits For Children With Disabilities* (Publication No. 05-10026).

Other Help You Can Get

Most people who get SSI can also get food stamps and “Medicaid” assistance. Medicaid, which is a different program than Medicare, helps pay doctor and hospital bills. For more information about food stamps, ask Social Security for a copy of the factsheet *Food Stamp Facts* (Publication No. 05-10101). For more information about Medicaid, contact your local social services office.

Medicare

Medicare is our country’s basic health insurance program for people 65 or older and many people with disabilities.

You should not confuse Medicare and Medicaid. Medicaid is a health care program for people with low income and limited assets. It is usually run by state welfare or social service agencies. Some people qualify for one or the other; some qualify for both Medicare and Medicaid.

This booklet provides only a brief overview of the Medicare program. If you would like to learn more about Medicare, call or visit Social Security to ask for a free copy of the booklet *Medicare* (Publication No. 05-10043).

Medicare Has Two Parts

Medicare provides—

- Hospital insurance (sometimes called “Part A”) that helps pay for inpatient hospital care and certain followup services; and

- Medical insurance (sometimes called “Part B”) that helps pay for doctors’ services, outpatient hospital care, and other medical services.

Who Is Eligible For Hospital Insurance (Part A)?

Most people get hospital insurance when they turn 65. You qualify for it automatically if you are eligible for Social Security or Railroad Retirement benefits. Or you may qualify on a spouse’s (including divorced spouse’s) record. Others qualify because they are government employees not covered by Social Security who paid the Medicare part of the Social Security tax.

In addition, if you have been getting Social Security disability benefits for 24 months, you will qualify for hospital insurance.

Also, people who have permanent kidney failure that requires maintenance dialysis or a kidney replacement qualify for hospital insurance if they are insured or if they are the spouse or child of an insured worker.

Almost everybody qualifies for hospital insurance through one of the above methods. But if you don’t and if you’re 65 or older, you can buy hospital insurance just like you can buy other health insurance policies.

Who Can Get Medical Insurance (Part B)?

Almost anyone who is eligible for hospital insurance can sign up for medical insurance. Unlike Part A, which was paid for by your taxes while you worked and is free when you’re eligible for it, Part B is an optional program that generally costs \$42.50 per month. Almost everybody signs up for this part of Medicare.

How Do You Get Medicare?

If you are already getting Social Security benefits when you turn 65, you will be automatically enrolled in Medicare (although you have the opportunity to turn down Part B).

If you are disabled, you will be automatically enrolled in Medicare after you have been getting disability benefits for 24 months. (You can turn down Part B.)

If you turn 65 and plan to keep working but do not plan to sign up for Social Security at that time, you should call or visit a Social Security office so we can help you decide if you should sign up for Medicare only.

There are many other rules associated with Medicare enrollment **including penalties for not enrolling in Part B when you're first eligible.** Please contact your Social Security office for more details.

What Does Medicare Pay For?

Medicare hospital insurance helps pay for:

- Inpatient hospital care;
- Skilled nursing facility care;
- Home health care;
- Hospice care.

Medicare medical insurance helps pay for:

- Doctors' services;
- Outpatient hospital services;
- Home health visits;
- Diagnostic X-ray, laboratory, and other tests;
- Necessary ambulance services; and
- Other medical services and supplies.

What Medicare Does Not Pay For

Not all health services are covered by Medicare. For example, Medicare does **not** pay for:

- Custodial care;
- Dentures and routine dental care;
- Eyeglasses, hearing aids, and examinations to prescribe and fit them;
- Nursing home care (except skilled nursing care);
- Prescription drugs; and
- Routine physical checkups and related tests.

Help For Low-Income Medicare Beneficiaries

If you get Medicare and have low income and few resources, your state may pay your Medicare premiums and, in some cases, other “out-of-pocket” Medicare expenses such as deductibles and coinsurance. Only your state can decide if you qualify. To find out if you do, contact your state or local welfare office or Medicaid agency. For more general information about the program, contact Social Security and ask for a copy of the leaflet *Medicare Savings For Qualified Beneficiaries* (HCFA Publication No. 02184).

Part 4—What You Need To Know After You Sign Up For Social Security

After you’ve signed up for retirement, disability, survivors, Medicare, or SSI benefits, your involvement with Social Security is just beginning. This section of the booklet provides a brief overview of a few things you need to know about your benefits.

When you start getting Social Security, we send you a booklet that explains your rights and responsibilities. In addition, we produce a variety of publications that explain

other facts you need to know about Social Security and SSI. **If you need more information**, call or visit Social Security to tell us your situation. There is probably a pamphlet or factsheet we can send you that will answer your questions.

What You Need To Report To Us

You should let us know when something happens that might affect your Social Security benefits. Here are some examples:

- If you move;
- If you get married or divorced;
- If you change your name;
- If your income or earnings change;
- If you become a parent or adoptive parent;
- If you are imprisoned;
- If you leave the United States;
- If a Social Security beneficiary dies or becomes unable to manage his or her funds, Social Security should be told.

If You Disagree With A Decision We Make

Whenever we make a decision that affects your eligibility for Social Security or SSI benefits, we send you a letter explaining our decision. If you disagree with our decision, you have the right to appeal it. In other words, you can ask us to review your case. If our decision was wrong, we will change it.

For More Information: To learn more about the appeals process, call or visit any Social Security office to ask for a copy of the factsheet *The Appeals Process* (Publication No. 05-10041). In addition, you have the right to be represented by a qualified

person of your choice when dealing with Social Security. For more information, ask us for a copy of the factsheet *Social Security And Your Right To Representation* (Publication No. 05-10075).

How Your Earnings Affect Your Benefits

The law limits the amount of money you can earn and still collect all your Social Security benefits. This provision affects people under the age of 70 who collect Social Security retirement, dependents, or survivors benefits. (Earnings in or after the month you reach age 70 won't affect your Social Security benefits.) **People who work and collect disability or SSI benefits have different earnings requirements and should report all their income to Social Security.**

If you are under age 65, you can earn up to \$8,280 in 1996 and still collect all your Social Security benefits.

However, for every \$2 you earn over \$8,280, \$1 will be withheld from your Social Security benefits.

If you are age 65 through 69, you can earn up to \$11,520 in 1996 and still collect all your Social Security benefits.

However, for every \$3 you earn over \$11,520, \$1 will be withheld from your Social Security benefits.

We count only the earnings you make from a job or your net profit if you're self-employed. This includes compensation such as bonuses, commissions, and vacation pay. It does not include such items as pensions, annuities, investment income, interest, Social Security, veterans, or other government benefits.

For More Information: To learn more about the Social Security earnings limits and how they affect you, call or visit any Social Security office to ask

for a free copy of *How Work Affects Your Benefits*
(Publication No. 05-10069).

Your Benefits May Be Taxable

Some people who get Social Security will have to pay taxes on their benefits. You will be affected only if you have substantial income in addition to your Social Security benefits.

If you file a Federal tax return as an "individual," and your combined income* is between \$25,000 and \$34,000, you may have to pay taxes on 50 percent of your Social Security benefits. If your combined income* is above \$34,000, 85 percent of your Social Security benefits is subject to income tax.

If you file a joint return, you may have to pay taxes on 50 percent of your benefits if you and your spouse have a combined income* that is between \$32,000 and \$44,000. If your combined income* is more than \$44,000, 85 percent of your Social Security benefits is subject to income tax.

If you are a member of a couple and file a separate return, you probably will pay taxes on your benefits.

*"Combined income" means your and your spouse's adjusted gross income (as reported on your Form 1040) **plus** nontaxable interest **plus** one-half of your Social Security benefits.

For More Information: If you would like more information about the taxation of your Social Security benefits, there are some IRS publications that will help you. Call or visit IRS to ask for a copy of Publication 554, *Tax Information for Older Americans*, and Publication 915, *Social Security Benefits And Equivalent Railroad Retirement Benefits*.

When Somebody Needs Help Managing Benefits

Sometimes, people who receive Social Security or SSI are not able to handle their own financial affairs. In those cases, and after a careful investigation, we appoint a relative, a friend, or another interested party to handle their Social Security matters. We call that person a “representative payee.” All Social Security or SSI benefits due are made payable in the representative payee’s name on behalf of the beneficiary.

Here’s An Important Point: If you have “power of attorney” for someone, that does not automatically qualify you to be his or her representative payee.

If you are a representative payee, you have important responsibilities.

- You must use the Social Security or SSI benefits for the personal care and well-being of the beneficiary. Any excess funds must be saved on the beneficiary’s behalf.
- You must keep Social Security informed of any events that might affect the beneficiary’s eligibility for benefits. For example, you should tell us if the beneficiary moves or gets a job. And, of course, you should tell us when the beneficiary dies.
- You must file a periodic accounting report with Social Security that shows how you spent or saved the benefits you were paid.

For More Information: If you would like to learn more about receiving benefits on behalf of another individual, call or visit any Social Security office to ask for a copy of the brochure *A Guide For Representative Payees* (Publication No. 05-10076).

Other Booklets Available

As we said on the first page, this booklet is intended to provide a general overview of Social Security programs and how they might affect you. Throughout this booklet, we refer you to other publications whenever the situation requires more information or a more detailed explanation.

The Social Security Administration and the Health Care Financing Administration (the Medicare people) produce many publications and factsheets designed to help explain these programs to you. Here is a list of some you may find helpful.

- *Retirement* (Publication No. 05-10035)—A guide to Social Security retirement benefits
- *Disability* (Publication No. 05-10029)—A guide to Social Security disability benefits
- *Survivors* (Publication No. 05-10084)—A guide to Social Security survivors benefits
- *Medicare* (Publication No. 05-10043)—A guide to the Medicare program
- *SSI* (Publication No. 05-11000)—A guide to the Supplemental Security Income program
- *Social Security And SSI Benefits For Children With Disabilities* (Publication No. 05-10026)—An overview of benefits available to children

These and other publications can be obtained free of charge at any Social Security office or by calling our toll-free number: **1-800-772-1213** between 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the month and early in the week, so if your business can wait, it's best to call at other times.

Social Security publications also are available on the Internet. Type <http://www.ssa.gov> to access Internet and these publications.

Examples of Benefits

Approximate Monthly Benefits If You Retire At Full Retirement Age And Had Steady Lifetime Earnings						
Your Age In 1996	Your Family	\$20,000	\$30,000	\$40,000	\$50,000	\$61,200 Or More ¹
45	You	\$ 786	\$1,053	\$1,201	\$1,326	\$1,457
	You and your spouse ²	1,179	1,579	1,801	1,989	2,185
55	You	786	1,053	1,192	1,287	1,369
	You and your spouse ²	1,179	1,579	1,788	1,930	2,053
65	You	785	1,047	1,151	1,211	1,248
	You and your spouse ²	1,177	1,570	1,726	1,816	1,872

¹ Earnings equal to or greater than the OASDI wage base from age 22 through the year before retirement.

² Your spouse is assumed to be the same age as you. Your spouse may qualify for a higher retirement benefit based on his or her own work record.

Note: The accuracy of these estimates depends on the pattern of your actual past earnings and on your earnings in the future.

Approximate Monthly Benefits If You Become Disabled In 1996 And Had Steady Earnings

Your Age	Your Family	Your Earnings In 1995					\$61,200 ¹ Or More
		\$20,000	\$30,000	\$40,000	\$50,000		
25	You	\$ 786	\$ 1,053	\$1,201	\$1,326	\$1,455	
	You, your spouse, and child ²	1,179	1,580	1,801	1,989	2,182	
35	You	786	1,053	1,201	1,326	1,425	
	You, your spouse, and child ²	1,179	1,580	1,801	1,989	2,137	
45	You	786	1,053	1,201	1,310	1,377	
	You, your spouse, and child ²	1,179	1,580	1,801	1,966	2,066	
55	You	786	1,053	1,177	1,252	1,297	
	You, your spouse, and child ²	1,179	1,579	1,766	1,878	1,946	
64	You	802	1,068	1,177	1,238	1,275	
	You, your spouse, and child ²	1,203	1,603	1,766	1,857	1,913	

¹ Earnings equal to or greater than the OASDI wage base from age 22 through 1995.

² Equals the maximum family benefit.

Note: The accuracy of these estimates depends on the pattern of your earnings in prior years.

Approximate Monthly Survivors Benefits For Your Family If You Had Steady Earnings And Die In 1996

Your Age	Your Family	Your Earnings In 1995					\$61,200 ¹ Or More
		\$20,000	\$30,000	\$40,000	\$50,000		
35	Your spouse and 1 child ²	\$1,179	\$1,580	\$1,801	\$1,989	\$2,150	
	Your spouse and 2 children ³	1,457	1,842	2,101	2,320	2,508	
	1 child only	589	790	900	994	1,075	
	Your spouse at age 60 ⁴	562	753	858	948	1,025	
45	Your spouse and 1 child ²	1,179	1,580	1,801	1,975	2,081	
	Your spouse and 2 children ³	1,457	1,842	2,101	2,303	2,427	
	1 child only	589	790	900	987	1,040	
	Your spouse at age 60 ⁴	562	753	858	941	992	
55	Your spouse and 1 child ²	1,179	1,579	1,766	1,878	1,946	
	Your spouse and 2 children ³	1,457	1,841	2,060	2,190	2,270	
	1 child only	589	789	883	939	973	
	Your spouse at age 60 ⁴	562	752	842	895	927	

¹ Earnings equal to or greater than the OASDI wage base from age 22 through 1995.

² Amounts shown also equal the benefits paid to two children, if no parent survives or surviving parent has substantial earnings.

³ Equals the maximum family benefit.

⁴ Amounts payable in 1996. Spouses turning 60 in the future would receive higher benefits.

Note: The accuracy of these estimates depends on the pattern of your earnings in prior years.

Some Facts About Social Security

1996 Social Security and Medicare Taxes

- You and your employer each pay 7.65 percent up to \$62,700
- If you're self-employed, you pay 15.3 percent up to \$62,700

Extra Taxes For Medicare In 1996

- You and your employer each pay 1.45 percent on all wages above \$62,700
- If you're self-employed, you pay 2.9 percent on all net earnings above \$62,700

Work Credits In 1996

- For each \$640 you earn, you receive one Social Security "credit" up to four per year
- Most people need 40 credits to be eligible for retirement benefits
- Younger people need fewer credits to qualify for disability and survivors benefits

Average 1996 Monthly Social Security Benefits

- retired worker: \$720
- retired couple: \$1,215
- disabled worker: \$682
- disabled worker with a spouse and child: \$1,148
- widow(er): \$680
- young widow(er) with two children: \$1,407

1996 Earnings Limits

- If you're under 65, you can earn up to \$8,280 with no reduction in benefits; for every \$2 you earn over \$8,280, \$1 is withheld from benefits
- If you're 65-69, you can earn up to \$11,520 with no reduction in benefits; for every \$3 you earn over \$11,520, \$1 is withheld from benefits
- If you're 70 or older, there is no limit on your earnings

1996 SSI Payment Rates

(does not include state supplement, if any)

- \$470 for an individual
- \$705 for a couple

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